

1 SENATE BILL NO. 523
 2 INTRODUCED BY G. HERTZ
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAX INCREMENT FINANCING LAWS;
 5 ~~REQUIRING THE QUALIFIED ELECTORS TO APPROVE A TAX INCREMENT FINANCING PROVISION;~~
 6 ~~REQUIRING THE QUALIFIED ELECTORS TO APPROVE THE ISSUANCE OF BONDS PAID WITH TAX~~
 7 ~~INCREMENT; ALLOWING THE QUALIFIED ELECTORS OF AN URBAN RENEWAL AREA OR TARGETED~~
 8 ~~ECONOMIC DEVELOPMENT DISTRICT TO REQUEST AN ELECTION TO APPROVE PROVISIONS~~
 9 ~~RELATED TO TAX INCREMENT FINANCING,~~ REMOVING SCHOOL LEVIES FROM THE CALCULATION OF
 10 THE TAX INCREMENT; LIMITING TAX INCREMENT FINANCING PROVISIONS TO ~~20~~ 30 YEARS;
 11 PROVIDING THAT EXISTING TAX INCREMENT FINANCING PROVISIONS THAT EXCEED ~~20~~ 30 YEARS
 12 MAY ONLY RETAIN INCREMENT SUFFICIENT TO PAY BONDS; REQUIRING THE LOCAL GOVERNING
 13 BODY TO APPROVE ALL EXPENDITURES OF TAX INCREMENT; PROHIBITING THE ADOPTION OF A
 14 TAX INCREMENT FINANCING PROVISION IF THE INCREMENTAL TAXABLE VALUE OF ALL URBAN
 15 RENEWAL AREAS THAT HAVE ADOPTED TAX INCREMENT FINANCING PROVISIONS EXCEEDS 7% OF
 16 THE TOTAL TAXABLE VALUE OF THE TAXING JURISDICTION; LIMITING THE EXPENDITURE OF TAX
 17 INCREMENT FOR ADMINISTRATIVE COSTS; ~~PROHIBITING THE USE OF TAX INCREMENT TO~~
 18 ~~PURCHASE LAND;~~ ALLOWING THE USE OF TAX INCREMENT FOR ROAD CONSTRUCTION; REVISING
 19 DEFINITIONS; AMENDING SECTIONS 7-15-4206, 7-15-4210, 7-15-4211, ~~7-15-4215,~~ 7-15-4221, 7-15-4232,
 20 7-15-4233, ~~7-15-4258, 7-15-4259,~~ 7-15-4282, 7-15-4283, 7-15-4286, 7-15-4288, 7-15-4289, ~~7-15-4290,~~ 7-15-
 21 4291, 7-15-4292, ~~7-15-4301, 7-15-4302,~~ 7-15-4324, 17-6-316, 70-30-102, AND 71-3-1506, MCA; AND
 22 PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

23
 24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

25
 26 NEW SECTION. SECTION 1. PROCEDURE FOR INITIATIVE OR REFERENDUM ELECTION. (1) (A) THE
 27 ELECTORS OF AN URBAN RENEWAL AREA OR TARGETED ECONOMIC DEVELOPMENT DISTRICT MAY, BY PETITION, REQUEST
 28 AN ELECTION ON WHETHER TO:



1 products to public streams, lakes, mills, railroads, or highways for a time that the court or judge may determine.

2 However, the grounds of state institutions may not be used for this purpose.

3 (43) underground reservoirs suitable for storage of natural gas;

4 (44) projects to mine and extract ores, metals, or minerals owned by the condemnor located

5 beneath or upon the surface of property where the title to the surface vests in others. However, the use of the

6 surface of property for strip mining or open-pit mining of coal (i.e., any mining method or process in which the

7 strata or overburden is removed or displaced in order to extract the coal) is not a public use, and eminent

8 domain may not be exercised for this purpose.

9 (45) projects to restore and reclaim lands that were strip-mined or underground-mined for coal and

10 not reclaimed in accordance with Title 82, chapter 4, part 2, and to abate or control adverse effects of strip or

11 underground mining on those lands."

12

13 **Section 18.** Section 71-3-1506, MCA, is amended to read:

14 **"71-3-1506. Tax deficiency lien.** A municipality has a lien for tax deficiency payments as described in

15 a properly filed agreement for tax deficiency payment pursuant to 7-15-4294. The lien has the same priority as

16 a lien for general property taxes. Lien proceeds must be disbursed pursuant to 7-15-4286(2)(a)."

17

18 NEW SECTION. **Section 19. Effective date.** [This act] is effective January 1, 2024.

19

20 NEW SECTION. SECTION 20. CODIFICATION INSTRUCTION. [SECTION 1] IS INTENDED TO BE CODIFIED AS AN

21 INTEGRAL PART OF TITLE 7, CHAPTER 15, PART 43, AND THE PROVISIONS OF TITLE 7, CHAPTER 15, PART 43, APPLY TO

22 [SECTION 1].

23

24 COORDINATION SECTION. **Section 21. Coordination instruction.** If both Senate Bill No. 505 and

25 [this act] are passed and approved and if both contain a section that amends 7-15-4286, then the section in

26 Senate Bill No. 505 amending 7-15-4286 is void and [section 10 of this act], amending 7-15-4286, must be

27 amended as follows:

28 **"7-15-4286. Procedure to determine and disburse tax increment -- remittance of excess portion**

1 **of tax increment for targeted economic development district.** (1) (a) ~~Mill~~ Except as provided in subsection
 2 (1)(c), mill rates of taxing bodies for taxes levied after the effective date of the tax increment provision must be
 3 calculated on the basis of the sum of the taxable value, as shown by the last equalized assessment roll, of all
 4 taxable property located outside the urban renewal area or targeted economic development district and the
 5 base taxable value of all taxable property located within the area or district. The mill rate determined must be
 6 levied against the sum of the actual taxable value of all taxable property located within as well as outside the
 7 area or district.

8 (b) ~~After~~ ON OR AFTER [the effective date of this act], the mill rate ~~does~~ MAY not include mills levied
 9 by a school district, unless the WHICH MUST BE PAID TO THE SCHOOL DISTRICT AS PROVIDED BY LAW, MUST REMAIN
 10 SOLELY DEVOTED TO SCHOOL PURPOSES, AND THE REVENUE FOR WHICH MAY NOT BE DIRECTED TO THE TAX
 11 INCREMENT. THE exclusion of the school district mills affects the ability of an urban renewal area or targeted
 12 economic development district to pay the principal of premiums and interest ~~DOES NOT APPLY TO THE PAYMENT OF~~
 13 THE DEBT SERVICE OBLIGATION on existing bonds ISSUED BY AN URBAN RENEWAL AREA OR TARGETED ECONOMIC
 14 DEVELOPMENT DISTRICT BEFORE [THE EFFECTIVE DATE OF THIS ACT].

15 (c) If a mill levy is excluded from the tax increment calculation pursuant to subsection (2)(b)
 16 through (2)(d), the calculation pursuant to subsection (1)(a) must use the total taxable value of all property
 17 located within the area or district.

18 (2) (a) Except as provided in subsections (2)(b), ~~(2)(c)~~, through (2)(d) and (3), the tax increment, if
 19 any, received in each year from the levy of the combined mill rates of all the affected taxing bodies against the
 20 incremental taxable value within the area or district must be paid into a special fund held by the treasurer of the
 21 local government and used as provided in 7-15-4282 through 7-15-4294.

22 (b) For targeted economic development districts and urban renewal areas created before April 6,
 23 2017, the combined mill rates of taxing bodies used to calculate the tax increment may not include the mill rates
 24 for the university system mills levied pursuant to 15-10-109 and 20-25-439.

25 (b)(c) ~~For targeted economic development districts in existence prior to~~ created on or after April 6,
 26 2017, and before July 1, 2022, and urban renewal areas created on or after April 6, 2017, the combined mill
 27 rates of taxing bodies used to calculate the tax increment may not include mill rates for:

28 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439; and

1 (ii) a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
2 increment provision.

3 ~~(e)(d)~~ For targeted economic development districts created after June 30, 2022, the combined mill
4 rates of taxing bodies used to calculate the tax increment may not include mill rates for:

5 (i) the university system mills levied pursuant to 15-10-109 and 20-25-439;

6 ~~(ii) one-half of the elementary, high school, and state equalization mills levied pursuant to 20-9-
7 331, 20-9-333, and 20-9-360;~~

8 ~~(iii)(ii)~~ a new mill levy approved by voters as provided in 15-10-425 after the adoption of a tax
9 increment provision; and

10 ~~(iv)(iii)~~ any portion of an existing mill levy designated by the local government as excluded from the tax
11 increment.

12 (3) (a) Subject to 7-15-4287 and subsection (3)(b) of this section, a targeted economic
13 development district with a tax increment provision adopted after October 1, 2019, may expend or accumulate
14 tax increment for:

15 (i) the payment of the costs listed in 7-15-4288;

16 (ii) the cost of issuing bonds; or

17 (iii) any pledge to the payment of the principal of any premium, if any, and interest on the bonds
18 issued pursuant to 7-15-4289 and sufficient to fund any reserve fund in respect of the bonds in an amount not
19 to exceed 125% of the maximum principal and interest on the bonds in any year during the term of the bonds.

20 (b) Any excess tax increment remaining after the use or accumulation of funds as set forth in
21 subsection (3)(a) must be:

22 (i) remitted to each taxing jurisdiction for which the mill rates are included in the calculation of the
23 tax increment as provided in subsections (1) and (2); and

24 (ii) proportional to the taxing jurisdiction's share of the total mills levied.

25 (c) A targeted economic development district is not subject to the provisions of this subsection (3)
26 if bonds have not been issued to finance the project.

27 (4) Any portion of the excess tax increment remitted to a school district pursuant to subsection (3)
28 is subject to the provisions of 7-15-4291(2) through (5).

1 (5) The balance of the taxes collected in each year must be paid to each of the taxing bodies as
2 otherwise provided by law."

3
4 NEW SECTION. Section 22. Applicability. (1) ~~Except as provided in subsections (2) and (3), [this~~
5 ~~[THIS act] applies to all urban renewal areas and targeted economic development districts that have adopted a~~
6 ~~tax increment financing provision.~~

7 (2) ~~— [Section 10] applies to urban renewal plans or targeted economic development district~~
8 ~~comprehensive development plans amended to contain a tax increment provision after [the effective date of this~~
9 ~~act].~~

10 (3) ~~— [Section 15] applies to the issuance of bonds after [the effective date of this act].~~

11 - END -